A STUDY ON SERVICE QUALITY DIMENSIONS ASSESSMENT OF

SELECTED PRIVATE BANKS IN TAMILNADU STATE OF INDIA

MANIMARAN[1] & V. RAMESH[2]

[1]Head, Department of MBA, PSNA College, Dindigul, Tamil Nadu, India

[2]Research Scholar, Department of Management Studies, Bharathiar University, Coimbatore, Tamil Nadu, India

ABSTRACT

The aim of the present study is to assess the service quality dimensions in three selected private banks in Tamil nadu state of India. Three Private retail banks branches are located at selected six cities of Tamilnadu. Service quality is the most critical determinant of satisfaction. Private Banks have played a major role in the development of Indian banking industry. They have made banking more efficient and customer friendly. Competitiveness in brand positioning and search for profits has created more attention on customer satisfaction. Many researchers' have put their interest on the topic of service quality. In this context, this study applies SERVQUAL for assessing service quality. Data collected from the customers by questionnaire was developed based on the service quality dimension. This study concluded as the reliability and responsiveness are more relevant to managers and customers. Also it is found that the managers' perspectives are different from customers' perceived service.

KEYWORDS: Customer Satisfaction, SERVQUAL, Private Sector Banks, Service Quality Dimensions

INTRODUCTION

Banks are vital components of economic developments in any countries development. They are contributing there services in mobilizing public savings and channelizing the flow of funds for productive purposes. Government of India and Reserve Bank of India took several major initiatives after the country attained independence to gear the banking system to serve the national objective.

Banking industry is considered as one of service businesses. The Indian Banking system plays a major role in the country's economy. It is one of the catalysts for catapulting India as a major economic force in the world. The real GDP growth has averaged 8 per cent over the past 3 years, and services, and manufacturing and exports sectors are booming. In the banking business, banks offer both tangible products (e.g. credit cards) and intangible products (services). In today's highly competitive business environment, service has increasingly played a critical role in banks operations.

The general banking scenario in India has become very dynamic now-a-days. Before pre-liberalization era, the picture of Indian Banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance.

Banking Services

Banks are continuously adding services to their customers to improve their profits and positioning their brands in

the customer sector. Now the customers have more choices in choosing their banks for the sake of best service rendered by the banks. A well competition has been established within the banks operating in India. Especially the private banks took it as a challenge to penetrate into the Indian banking industry and established well because of their quality of service.

LITERATURE REVIEW

Basically, the service quality model was derived from the magnitude and directions of five gaps as follows (SERVQUAL instrument)

- **Gap 1 (Understanding):** the difference between consumer expectations and management perceptions of consumer expectations

- **Gap 2 (Service Standards):** the difference between management perceptions of consumer expectations and service quality specifications

- **Gap 3 (Service Performance):** the difference between service quality specifications and the service actually delivered

- **Gap 4 (Communications):** The difference between service delivery and what is communicated about the service to consumers

- **Gap 5 (Service Quality):** the difference between customer expectations of service quality and customer perceptions of the organization's performance

Parasuraman et al. (1985) led to a list of ten determinants (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer, and tangibles) of service quality as a result of their focus group studies with service providers and customers which subsequently resulted in the development of the SERVQUAL instrument with these ten attributes distilled into five overall dimensions of service quality.

The five dimensions of SERVQUAL are (Parasuraman et al., 1988, 1991)

- Tangibles, which pertain to the physical facilities, equipment, personnel and communication materials;

- Reliability, which refers to the ability to perform the promised services dependably and accurately;

- Responsiveness, which refers to the willingness of service providers to help customers and provide prompt service;

- Assurance, which relates to the knowledge and courtesy of employees and their ability to convey trust and confidence; and

- Empathy, which refers to the provision of caring and individualized attention to customers.

Parasuraman, Zeithmal and Berry (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model based on gap analysis. They developed a service quality model based on gap analysis. Gap 5 is a service quality shortfall as seen by the customer, and gaps 1-4 (understanding, service standard, service performance and communication) are shortfalls within the service organization. Thus gaps 1-4 contribute to gap 5.

Service Quality in the Banks

Several research works contributed metrics to measure the service quality for the customer satisfaction. But Satisfaction is the crucial concern for both customer and banks. It depends on various factors and varies from person to person as well as products. Surabhi Singh and Renu Arora (2011) quoted the quotation of Chothani from the website of www.crmzday.com at November 3rd of 2008 (at present not available) described that the customer satisfaction 5% increase in customer retention can increase profitability by 35% in banking business.

Customers Perceptions and Expectations

Customers prefer private banks with the expectation of quality in service will be slightly more as compared with the public sector banks. However, the customers of public and private sector banks different in terms of their perception of service quality. Public sector banks have better service for price consistency. Private Banks observes higher on dimensions of service quality in effectiveness and convenient. Private bank customers are more satisfied with the services then public banks. Managers in the banking sector undertake significant efforts to conduct customer satisfaction surveys and it is appears that customers are saying that they expect good products and quality to their banks and that may the only thing important to them Muhammad Naveed(2009).

Service quality has been defined by Robinson (1999) as "an attitude or global judgment about the superiority of a service" Measuring the customer satisfaction helps banks to understand the customers" needs and can thus change strategies accordingly.

Brown and Swartz (1989) adopted the five determinants for measuring service quality. Kang and James (2004) presented the application of Gronroos' model for their research work. Recent research works of measuring service quality are based on the SERVQUAL and SERVPERF, is provided by Seth and Deshmukh (2005).

Customer Satisfaction

Caruna et al., (2000) supported a positive relationship between service quality and consumer satisfaction. The better service equates to better performance. An increased likelihood of fulfilled expectations lead to higher level of satisfaction. Kotler and Armstrong (1996) revealed that the customers become loyal when they are satisfied with the quality of service provided by the banks. The satisfaction on the quality of service is measured by the level of satisfaction on room at reasonable price, convenient location, sanitation, safety and security.

RESEARCH METHODS

The ten service quality dimensions of ten were framed sequentially as ten questions. This study conducted as similar work by Zeithamal et al. (1990). Questionnaire formatted in three columns to evaluate the service quality expected (E), perceived (P) and minimum acceptable (M) with 5-point Lickert-type scale used for assessment. Two sets of data collected from Managers and customers.

Since the present study focuses on the characteristics of banks and customer's expectation and perception on the services offered by banks, and the relationship between the profile of bank employees and their business performance, it is descriptive in nature. A total of 210 questionnaires (out of 300) from customers and 42 questionnaires (out of 50) from managers were returned, yielding an approximately 70% response for customers and 84 % rate for managers. Purposive sampling method was adopted to collect the data from the respondents. Selected six cities of Coimbatore, Tirupur, Erode,

Salem, Trichy and Madurai are the locations of the research area in Tamilnadu state. The selected banks were ICICI bank,Lakshmi Vilas bank, Tamilnad Mercantile bank, Karur Vysya bank.

Reliability and validity

Before assessing the service quality it was necessary to found the validity and reliability of the instrument for data collection. Concerning the reliability of the instrument for the internal service quality scores, the Cronbach's alpha resulted in the values indicated in Table 1 These results are similar as those found in the literature, e.g. 0.920 by Parasuraman et al. (1988), 0.900 by Croning and Taylor (1992), and 0.927 by Frost and Kumar (2001). Therefore, the results of total scale for the developed instrument could be considered reliable.

Table 1: Cronbach's Alpha for Each Instrument

S. No	Model	Cronbach's Alpha
1	Managers	0.931
2	Customers	0.927

RESULTS AND DISCUSSIONS

Table 2: Data from Managers and Customers

Questions	Managers			Customers		
	Perceived	Expected	Minimum Expected	Perceived	Expected	Minimum Expected
Reliability	4.295	3.525	3.220	4.210	4.050	3.830
Responsiveness	4.430	3.905	3.690	4.020	3.790	3.410
Competence	4.380	4.240	3.930	4.170	4.040	3.630
Access	4.235	4.050	3.700	4.040	3.870	3.550
Courtesy	4.450	3.810	3.810	4.250	4.110	3.930
Communication	4.310	4.190	3.780	4.230	3.950	3.660
Credibility	4.000	3.950	3.760	4.220	4.000	3.770
Security	4.095	3.760	3.410	4.280	4.130	3.800
Understanding The Customer	4.190	3.810	3.430	4.180	4.060	3.700
Tangibles	4.255	3.855	3.450	4.130	4.020	3.690

The collected data sets were evaluated and ranked for perception of performance, expected service level and minimum service level. The above table shows the data collected from the managers and customers. SPSS software used to analysis the data and the ranks are evaluated for the minimum expected service level and the actual performance.

Interestingly the outcome of the study exhibits the actual perceived and minimum expected service qualities from managers and customers. As from the results, service quality is positive for all dimensions in the opinion of managers and customers, that is, perception of performance is greater than the desired level. Reliability is the first minimum expected dimension for managers but the major gap in the perceived rankings. However it also last but one from the customer point view. It is clear that the customers are expecting other then reliability services from private banks.

Competence dimension was the last ranking from the managers' view but customers ranked it as their third preferences. At same time it is at the third rank and perceived rank also at the same position. Sufficiency of knowledge and skills are at enough from customer point of view.

Table 3: Ranking of Minimum Expected Service Quality and Perceived Service Quality

Questions	Managers		Customers	
	Minimum Expected Ranking	Perceived (Ranking)	Minimum Expected Ranking	Perceived (Ranking)
Reliability	1st	10th	9th	6th
Responsiveness	5th	8th	1st	9th
Competence	10th	3rd	3rd	3rd
Access	6th	4th	2nd	7th
Courtesy	9th	9th	10th	4th
Communication	8th	2nd	4th	10th
Credibility	7th	1st	7th	8th
Security	2nd	5th	8th	5th
Understanding The Customer	3rd	6th	6th	2nd
Tangibles	4th	7th	5th	1st

The fifth dimension of courtesy was not expected from the private banks by the customers. The security (assurance) was the dimension at second priority for managers but the customers are placed this dimension at eighth position on minimum expected rankings.

The access to the bank that is approachable at any location and 24 x 7 facilities are very much expected by the customers but the actual position at perceived was seventh shows that customers are expecting more service on access from private banks.

The perceived rankings are coincident with each other at the dimensions of competence and security. It is very near at the responsiveness. It is accepted by the managers the perceived ranking of reliability dimensions are the worst. Communication improvement has to be done by the private banks to get the customer loyalty.

4.1. Certain Suggestion to the Managerial Action

Responsiveness- Customers are approaching private banks with high expectation for responses for their needs and quires as the top dimesion of service quality. Also the answered the responsiveness at worst priority from the banks at perceived. Even the managers have not put their concentration for this dimension.

Access- The private banks are expected for more accessible then other banks. That is the specialty of private banks. Customers are ranked for seventh that shows customers are not satisfied. Even at managerial evaluation they put at sixth place also the ranked the perceived as fourth. This shows that ignorance of this dimension at present by managers has to be concentrated.

Reliability- The managers ranked this dimension as number one also they confirmed that they are at worst service. Even the customers are not giving preference for this dimension the most important for any dimension is reliability. Managers have to improve situation by getting confident with customers for every actions.

Assurance- The second ranked dimension has to be concentrated by managers for a secured condition to put the customers mind in a comfort zone.

CONCLUSIONS

The most expected service quality dimensions are reliability and responsiveness for managers and customers respectively. The best performed dimensions are creditability and tangibles for managers and customers. As previously

elaborated the difference between evaluation of service quality of customer and managers is significant. It is suggested for an analogy with gap (understanding). At present stage further studies on this topic will provide a confident to compute the gap. Based on the current results, few dimensions need to be concentrated either under managers or customer point of view.

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